

Two of 32 Applicants for WTO Membership Successfully Complete Accession Negotiations

Any country or separate customs territory with full autonomy in formulating trade and economic policy can accede to the WTO under conditions negotiated by the acceding country and WTO members. Acceding countries benefit from acceptance into the WTO, which works to facilitate international cooperation concerning trade and economic relations. Acceding countries are required to reform their trade policies as well as make tariff concessions to WTO members, which also benefit the acceding country. Current WTO members will gain greater access to the markets of acceding countries, but also will face more diverse trading partners in the WTO.
[Karen Z. Ackerman (ackerman@econ.ag.gov)]

Introduction

Article XII of the Marrakesh Agreement establishing the World Trade Organization (WTO) states that any country or separate customs territory with full autonomy in formulating trade and economic policy can accede to the WTO under conditions negotiated by the acceding country and WTO members. A country requesting WTO membership must submit to the WTO a Memorandum on its Foreign Trade Regime that details its trade policies as they relate to WTO rules. Interested WTO members form a working party to evaluate the policies of the applicant country. The working party requests additional information on existing policies and assesses commitments by the acceding country to liberalize its trade policies. Simultaneous with the working party review, bilateral negotiations are held between the acceding country and interested WTO members to identify areas where reforms are necessary and to establish specific market access commitments for imported goods and services.

After interested WTO members are satisfied that the applicant government's trade policies conform with the laws of the WTO and that the market access package is adequate, a protocol package is prepared that consists of the working party report and a draft of the Protocol of Accession—the terms of accession and a package of concessions. The accession package is then put to the full WTO membership for approval.

Accession to the WTO has become more complex because the WTO builds on its predecessor, the GATT, by incorporating the results of the Uruguay Round of trade negotiations, which strengthened existing rules and introduced new rules governing trade in services and intellectual property. Virtually all applicants will need to make some changes in their trade regimes to meet WTO requirements. This is particularly important for agriculture, where new disciplines on export subsidies, market access, domestic support, and sanitary and phytosanitary standards were established.

How Do Acceding Countries and WTO Members Benefit from the Accessions?

Countries that succeed in their accession will be admitted to an organization that “provide[s] a common institutional framework for the conduct of trade among its members...” (Article II of the Marrakesh Agreement Establishing the World Trade Organization). Upon entry into the WTO, the acceding countries will gain Most Favored Nation (MFN) status with all WTO members, access to the strengthened dispute settlement mechanism, and the ability to influence future WTO rules through negotiation. Many of the acceding countries already have MFN with their major trading partners, but entry into the WTO will ensure that larger countries can not arbitrarily exploit their market power to raise tariffs against smaller new members in response to internal protectionist pressures without due process and compensation (Hoekman and Kostecki, page 26). The strengthened WTO dispute settlement rules enable WTO members to obtain redress for trade complaints. The chief benefits, however, accrue from the gains from liberalized and more efficient trade practices, which promote lower costs and increase commerce and investment. Lastly, acceding countries will be able to negotiate improved access for their products in future trade rounds.

Once the acceding countries become WTO members, current members will have the right to question their trade practices in WTO committees and invoke WTO dispute settlement procedures when the acceding countries' trade practices do not conform with GATT rules. WTO members also are likely to benefit from increased access to the markets of the acceding countries as their economies become more open. For example, China's growing economy points to increased demand for many agricultural products, including meats, fruits, vegetables, dairy products, sugar, and tobacco (USDA, 1998).

Who Are the Current Applicants for Accession to the WTO?

Thirty-two countries are seeking accession to the WTO. They are Albania, Algeria, Andorra, Armenia, Azerbaijan, Belarus, Cambodia, the People's Republic of China, Croatia, Estonia, Georgia, Jordan, Kazakhstan, the Kyrgyz Republic, Lao People's Democratic Republic, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Moldova, Nepal, Sultanate of Oman, Russian Federation, Samoa, Saudi Arabia, Seychelles, Sudan, Chinese Taipei (Taiwan), Tonga, Ukraine, Uzbekistan, Vanuatu, and Vietnam. Neither Hong Kong nor Macao are included in China's application for accession since they were founding members. Hong Kong remained a separate WTO member after it became part of the People's Republic of China on July 1, 1997. Macao also will retain its WTO membership as a separate customs territory after sovereignty reverts to China on January 1, 1999.

On October 14, the WTO's General Council approved the protocols of accession for the Kyrgyz Republic and Latvia after the two countries successfully completed their accession negotiations this summer. The two countries will become full members of the WTO 30 days after they notify the WTO Secretariat that their governments have ratified their accession to the WTO. On July 17, the Kyrgyz Republic became the first new republic created from the former Soviet Union to have completed its accession negotiations. (Panama, Mongolia, Bulgaria and Ecuador also completed WTO accession negotiations in 1996 and 1997 and are all now WTO members.)

What Are Some Basic Characteristics of the Economies of the WTO Applicants?

Of the 32 acceding countries, almost half are Baltic countries and the New Independent States (NIS) of the former Soviet Union. Six Asian countries or economies also have sought membership in the world body, including China and Taiwan. Applicants from Africa and the Middle East include Algeria, Jordan, Oman, the Seychelles, and Saudi Arabia. Together the acceding country governments represented over 1.7 billion people in 1996, 70 percent from mainland China alone.

Many applicants hope to develop their economies through enhanced trade and investment, primarily of manufactured goods and services. Over half of the applicants had gross domestic products (GDP) of less than \$20 billion in 1996. Agriculture contributes prominently to the economies of many of the smaller acceding countries, representing more than 40 percent of GDP in Albania, Armenia, Cambodia, the Kyrgyz Republic, Laos, Moldova, and Nepal. Even in the larger economies, agriculture remains important for food security and employment (table 10).

Table 10--Top agricultural traders among the acceding countries, 1996

Country	Exports	Imports	Total
\$ million, f.o.b			
Algeria	71	2,350	2,421
China (mainland)	11,529	9,050	20,579
Russian Federation	1,652	9,702	11,354
Saudi Arabia	338	4,160	4,498
Taiwan	2,814	5,423	8,236
Ukraine	2,021	1,026	3,047
Uzbekistan	1,989	623	2,612
Vietnam	1,081	969	2,050

Source: U.N. Food and Agriculture Organization statistics.

If the acceding countries expand market access and make needed reforms to their trade regimes, accession will spur agricultural trade. Agricultural trade for the group of 32 WTO applicants totaled less than \$70 billion in 1996, about two-thirds of 1996 U.S. agricultural trade. Almost half of the acceding countries' 1996 agricultural trade can be attributed to the largest traders—mainland China, the Russian Federation, and Taiwan. Negotiations to enhance the transparency of these countries' agricultural trade regimes is particularly important, since they and other major agricultural traders among the acceding countries are net importers of agricultural goods.

"Accession to the WTO requires full respect of WTO rules and disciplines..." (WTO Ministerial Declaration, May 25, 1998). To this end, the WTO membership generally requires the acceding countries to reform their economies and enhance the transparency of their trade regimes in accordance with WTO rules during the accession process. The two countries of the group of 32 that successfully completed their accession negotiations made substantial economic and trade reforms prior to accession.

References

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